

Reasonable Compensation

Corporate officer/shareholder or LLC member (in which the LLC has elected to taxed as a corporation for income tax purposes pursuant to the Internal Revenue Code [39-51-207(3), MCA]), that provide services to their company and receive payment from the company must report reasonable compensation for the services provided.

Compensation received by the officer/shareholder or LLC member for services provided to the company can come in a variety of forms, such as:

1. Wages as defined in 39-51-201 (24)(a), MCA;
2. Loans to the officer/shareholder or LLC member, unless the loan is to be repaid under a written schedule [ARM 24.11.2501 (1)(f)];
3. Distributions/draws taken for services performed, even though designated as profits or dividends [ARM 24.11.2501 (1)(g)]; and
4. Third party sick pay when the employer pays the insurance premium [ARM 24.11.2501 (1)(h)].
5. Cash value of remuneration paid in any medium other than cash such as groceries, utilities, and the personal use of a company car [39-51-201(23), MCA and ARM 24.11.2501].

In determining reasonable compensation for the officer/shareholder or LLC member, the following factors are used, if available:

1. The qualifications and role in the company, including the hours worked, position in the company, duties performed, size of the company and the general economic conditions of the area.
2. Comparison of reported compensation with compensation paid by similar companies for comparable services. The best resource is the State Occupational Employment and Wage Estimates which can be found at www.ourfactsyourfuture.org.
3. Review of the company's wage policy for all the company's employees.

Questions pertaining to officer's reasonable compensation can be answered by calling the Unemployment Insurance office in Helena at 406-444-3834 or a UI Field Representative at the following numbers:

Billings:	Lisa Barton	247-1009	Helena:	Rick Eldredge	444-1903
	Mary Bernhardt	247-1007			
	Danelle Fogarty	247-1056			
Bozeman:	Richard Gobbs	585-2779	Kalispell:	Joseph Reiner	758-5900
Great Falls:	Amy Everaert	771-6523	Missoula:	Lisa Hamer	329-1438
				Scott Moothart	329-1420
				Chris Wheeler	329-1415